Information Services

Client Meeting

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Information Services

Client Meeting

Stuttgart

1 December 1992

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Information Services Programme—Europe
(IEMAP)

***Information Services Client Meeting—
Stuttgart***

IEMAP • 567/566 • 1992

Tidal Wave of Change

Roger Fulton
Consultant
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Europe

Software and Services

Workshop Agenda

- New end-user demands
- Fierce competitive pressure
- Lower market forecasts
- Challenge to professional services

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Software and Services, Europe

Key Industry Trends

- Projects downsized
- Outsourcing satisfies
- Price pressure on services
- Pan-European support
- Desktop entrants

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Europe

Software and Services

Key user demands

- Value for money
- Cost reduction
- Effectiveness

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Europe

Software and Services

Getting value for money from IT

- User ownership
- Benefits to business
- Productivity improvement
- Essential to infrastructure

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Europe

Software and Services

Seeking cost reduction for IT

- Downsizing
- Outsourcing
- 80% solutions

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Europe

Software and Services

Improving effectiveness from IT

- Business process re-engineering
- Simplification
- Speed of implementation
- Flexibility

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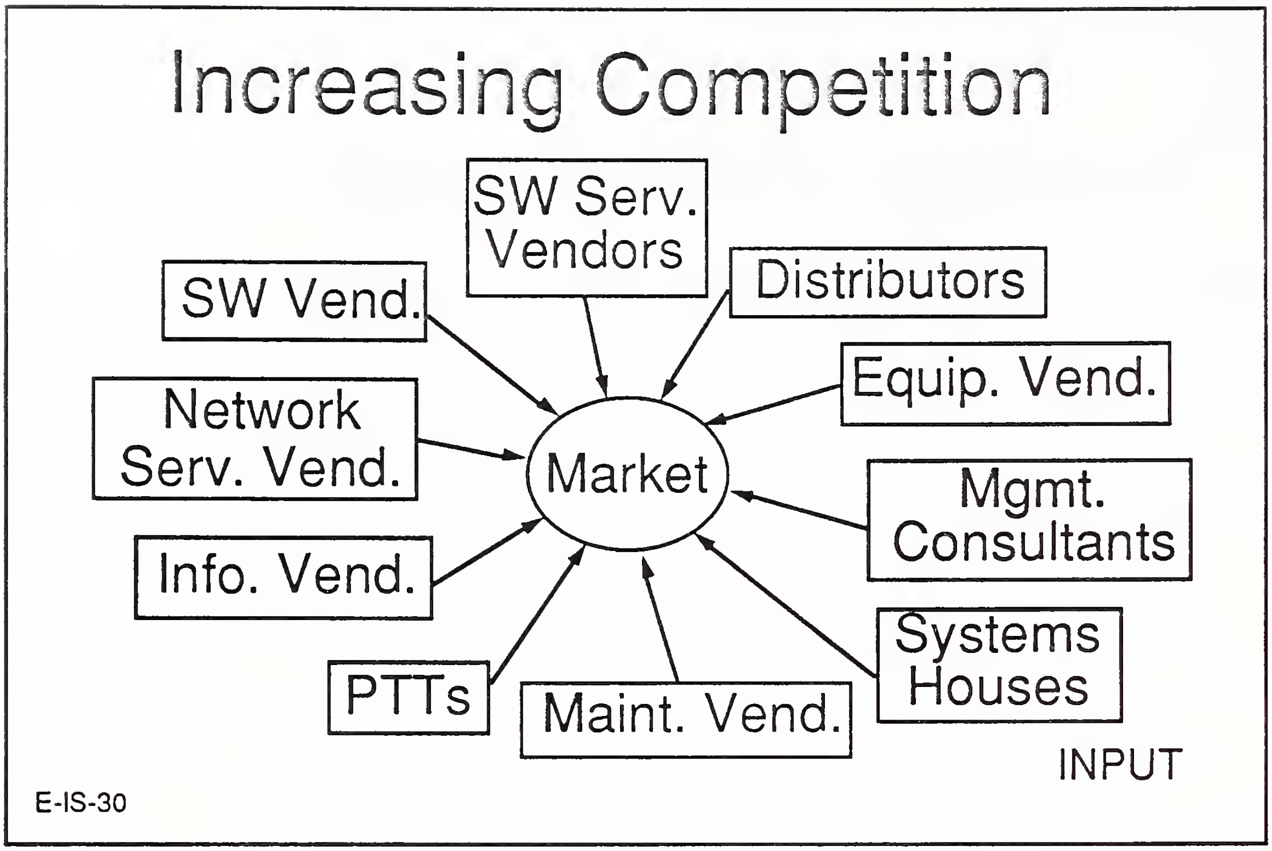
Increasing Competition
SW Serv. Vendors
SW Vend.
Distributors
Equip. Vend.
Network Serv. Vend.
Market
Mgmt. Consultants
Info. Vend.
Systems Houses
PTTs
Maint. Vend.
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Software and Services—Europe, 1991

Changing Market Shares

Vendor's Main Business	Percent 1981	1991	2001
Software Products	9	13	16
Equipment Products	39	35	40
Processing/Networks	31	5	7

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Software and Services—Europe, 1991

Changing Market Shares

Vendor's Main Business	Percent		
	1981	1991	2001
Independent Services	18	40	27
Management Consultancy	3	7	10

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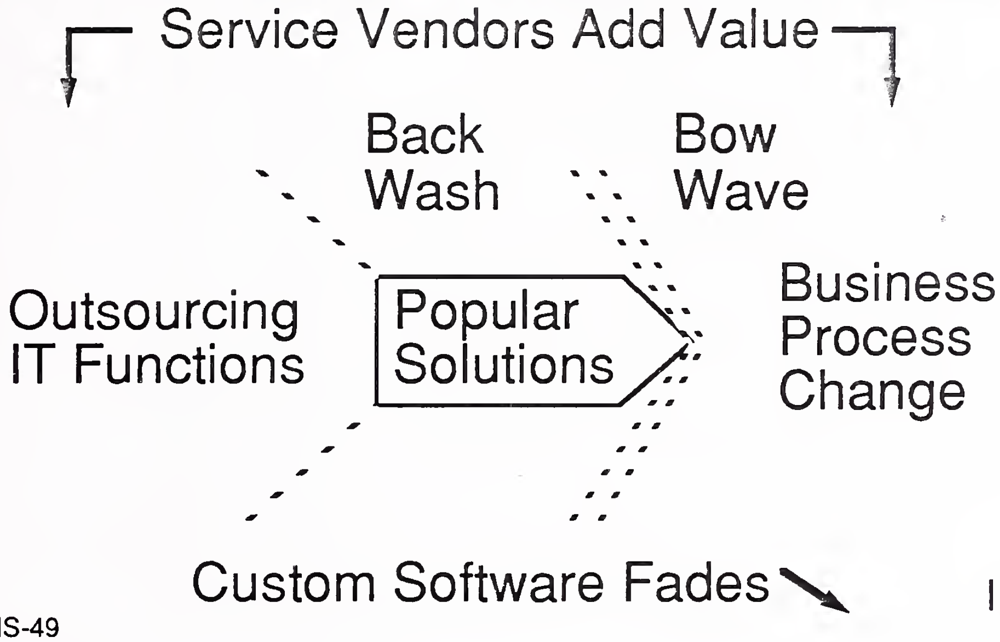
The Tidal Wave of Change



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Vendor-Added Value

- Applications Management
- Systems Management
- Solution Engineering
- Systems Technology

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Notes

Product and Service Trends

Transition Management	*Applications Maintenance*	*Applications Management*

Sys. Integ.	Sys. Oper.

Applications Software	Turnkey Systems	Processing Services
Systems Software	Professional Services	Network Services

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Notes

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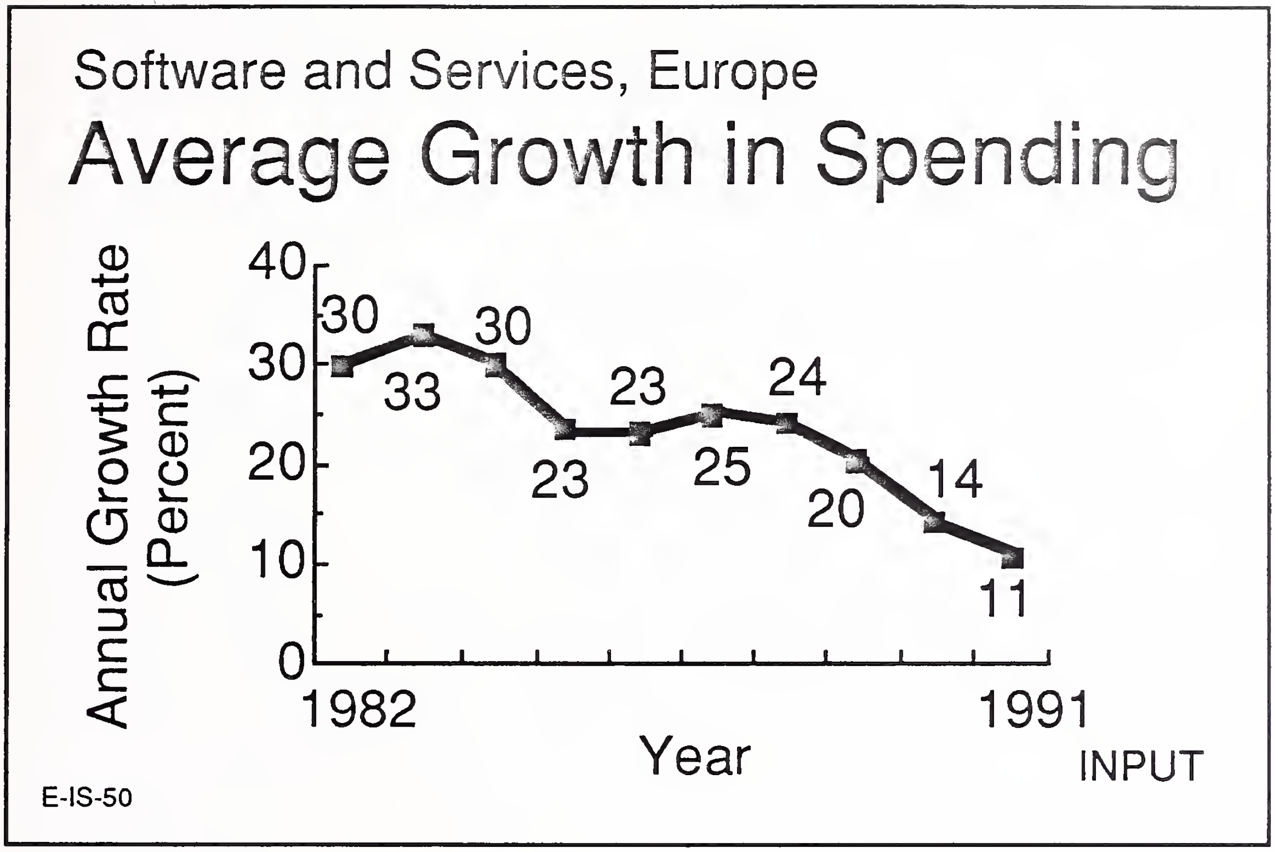
Information Services Industry Structure

- **Systems Software Products**
  - Mainframe
  - Minicomputer
  - Workstation/PC
- **Applications Software Products**
  - Mainframe
  - Minicomputer
  - Workstation/PC
- **Turnkey Systems**
  - Equipment
  - Software Products
  - Professional Services
- **Equipment Services**
  - Equipment Maintenance
  - Environmental Services
- **Professional Services**
  - Consulting
  - Education & Training
  - Software Development Maintenance
  - Application Management
- **Systems Integration**
  - Equipment
  - Software Products
  - Professional Services
  - Other
- **Systems Operations**
  - Platform
  - Applications
  - Desktop Services
  - Network Management
- **Processing Services**
  - Transaction
  - Utility
  - Other
- **Network Services**
  - Electronic Information Services
  - Network Applications

Source: INPUT


Software and Services, Europe
Average Growth in Spending
Annual Growth Rate (Percent)
40
30
20
10
0
30
33
30
23
23
25
24
20
14
11
1982
1991
Year
INPUT
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Notes

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Europe

Delivery Mode Issues

- Turnkey systems—Impacted by downsizing and open systems margins
- Applications software products—Smaller systems dominate
- Systems software products—Prices under pressure

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Notes

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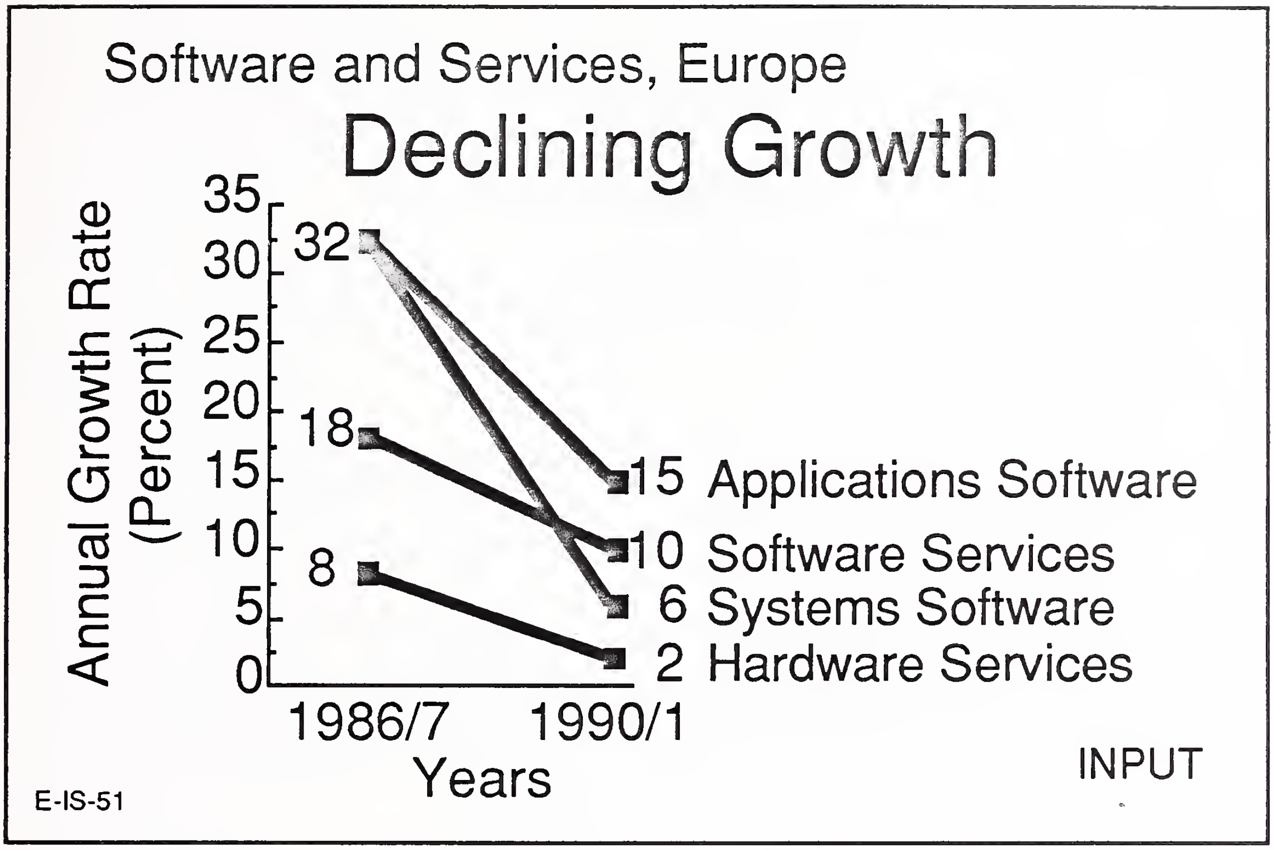

Software and Services, Europe
Declining Growth
Annual Growth Rate (Percent)
35
30
25
20
15
10
5
0
32
18
8
15 Applications Software
10 Software Services
6 Systems Software
2 Hardware Services
1986/7
1990/1
Years
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Notes

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Europe

Delivery Mode Issues

- Network services—High-growth opportunities
- Systems operations—Renewed satisfaction, desktop entrants
- Systems integration—Project downsizing for fast payback

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Notes

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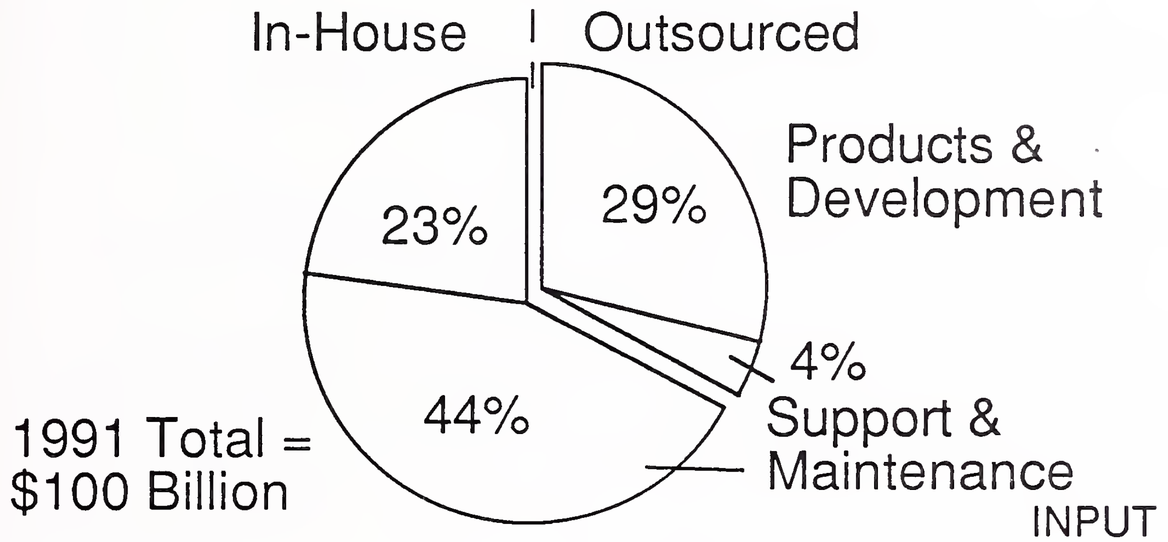
European User Software Budgets



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Notes

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Europe

Delivery Mode Issues

- Professional services—Competition up, growth down
- Processing services—Specialized applications drive development
- Equipment services—Multivendor and environmental services grow

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Notes

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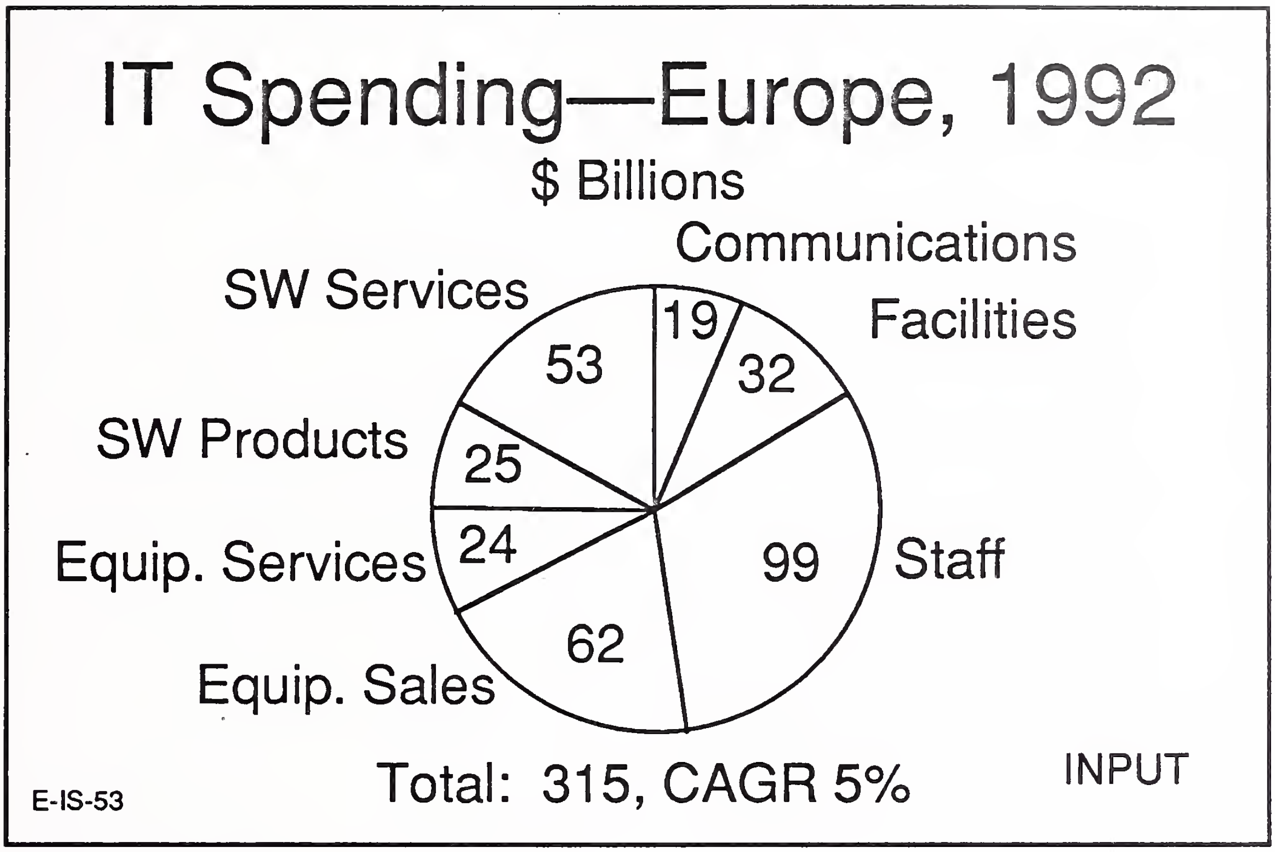

Notes

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IT Spending—Europe, 1992

	CAGR (%)
Communications	8
Facilities	1
Staff	3
Equipment Sales	2
Equipment Services	3
Software Products	11
Software Services	11

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Notes

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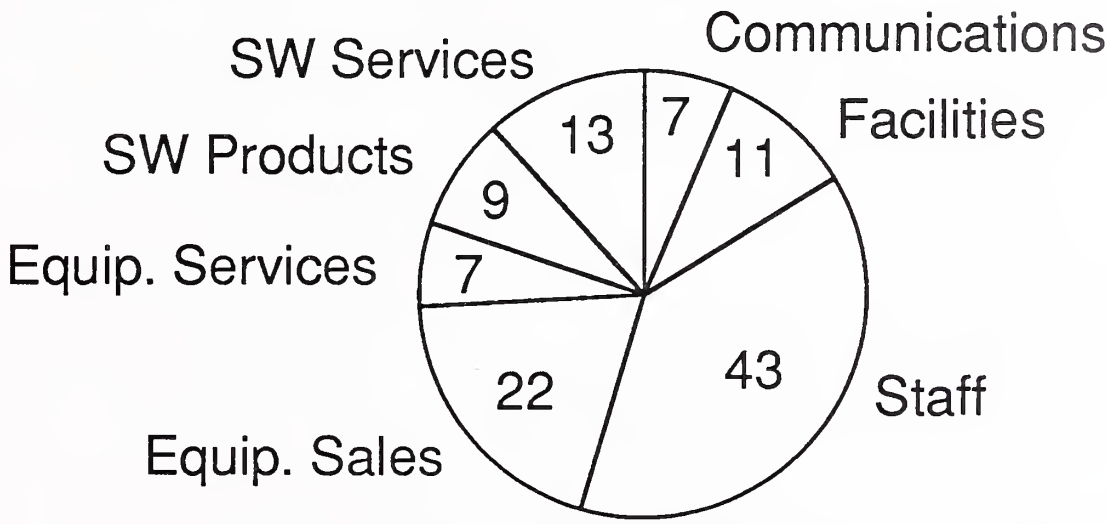
IT Spending—Germany, 1992

DM Billions



Total: 112, CAGR 7%

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Notes

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IT Spending—Germany, 1992

	CAGR (%)
Communications	9
Facilities	1
Staff	6
Equipment Sales	4
Equipment Services	2
Software Products	13
Software Services	13

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Notes

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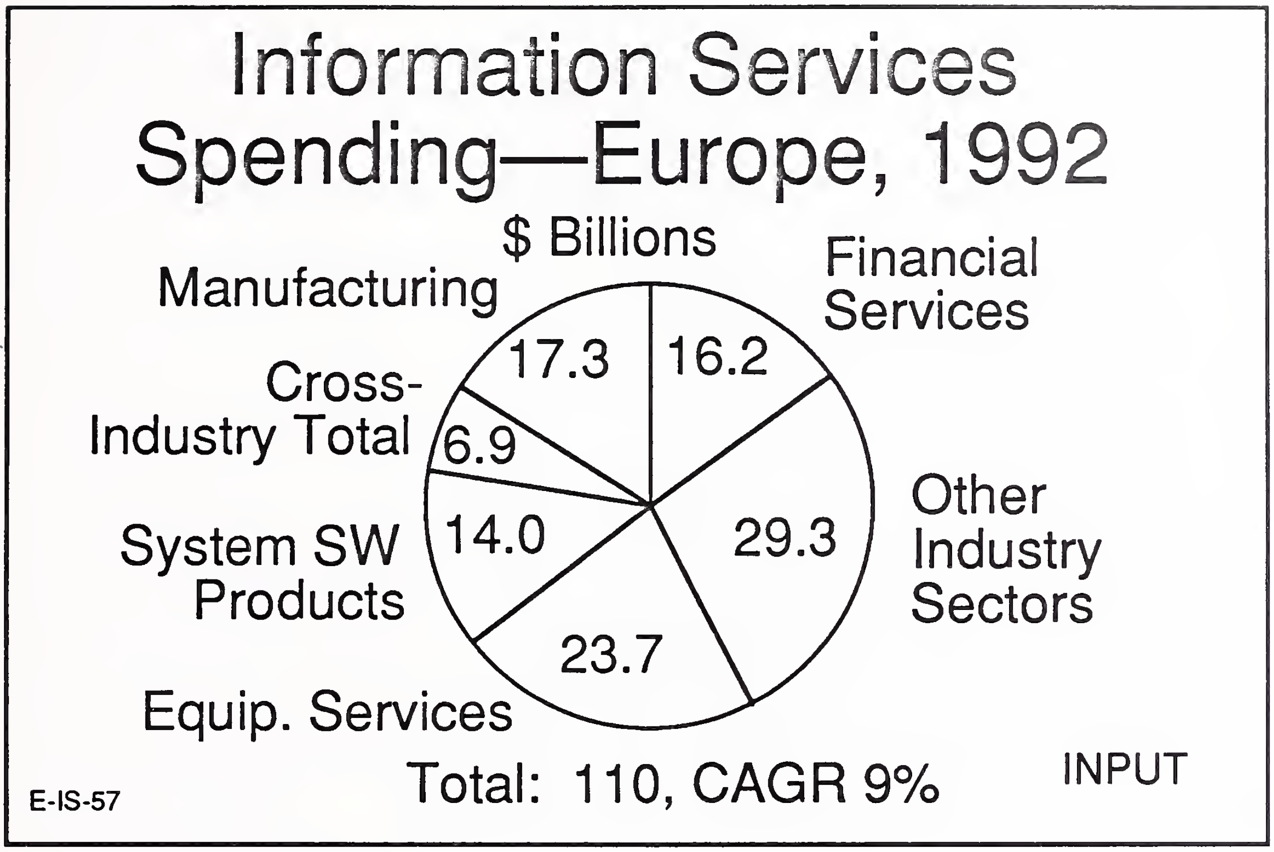

Notes

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Information Services Spending—Europe, 1992

	CAGR (%)
Manufacturing	11
Financial Services	11
Other Industry Sectors	11
Equipment Services	3
System Software Products	7
Cross-Industry Total	12

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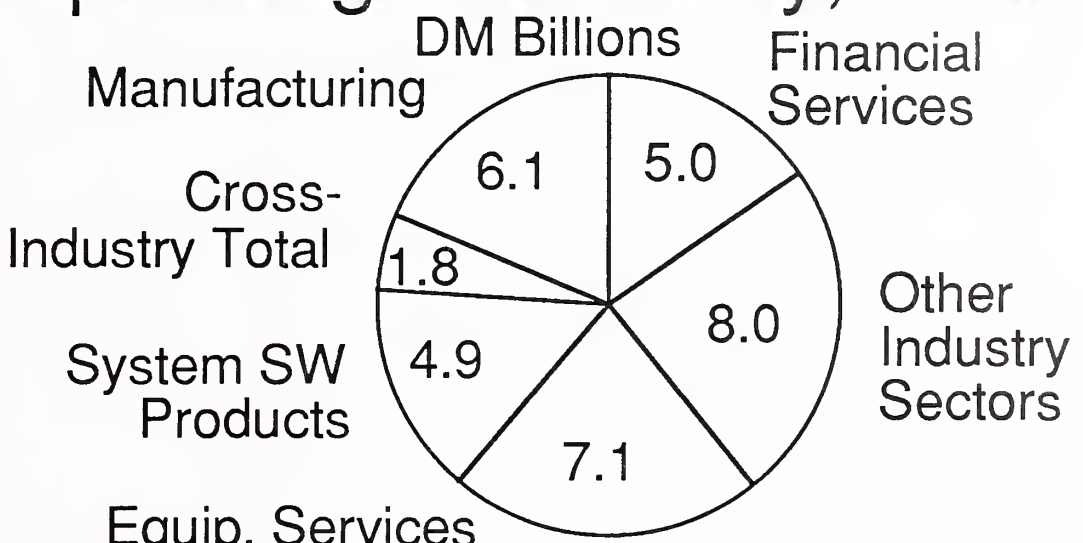
Notes

10/14/92

Information Services Spending—Germany, 1992



Total: 32.9, CAGR 11%

E-IS-63

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Notes

11/23/92

Information Services Spending—Germany, 1992

	CAGR (%)
Manufacturing	13
Financial Services	14
Other Industry Sectors	14
Equipment Services	2
System Software Products	8
Cross-Industry Total	14

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Notes

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Software and Services Forecast, 1992-1997 Europe

11% CAGR
. . . and falling

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Notes

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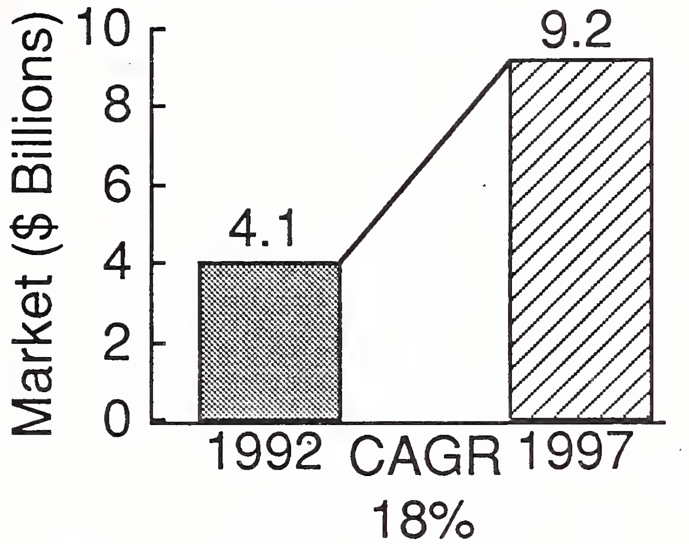
Impact of Downsizing on Systems Integration Market

John Willmott
Consultant

Systems Integration Market—Europe, 1992-1997



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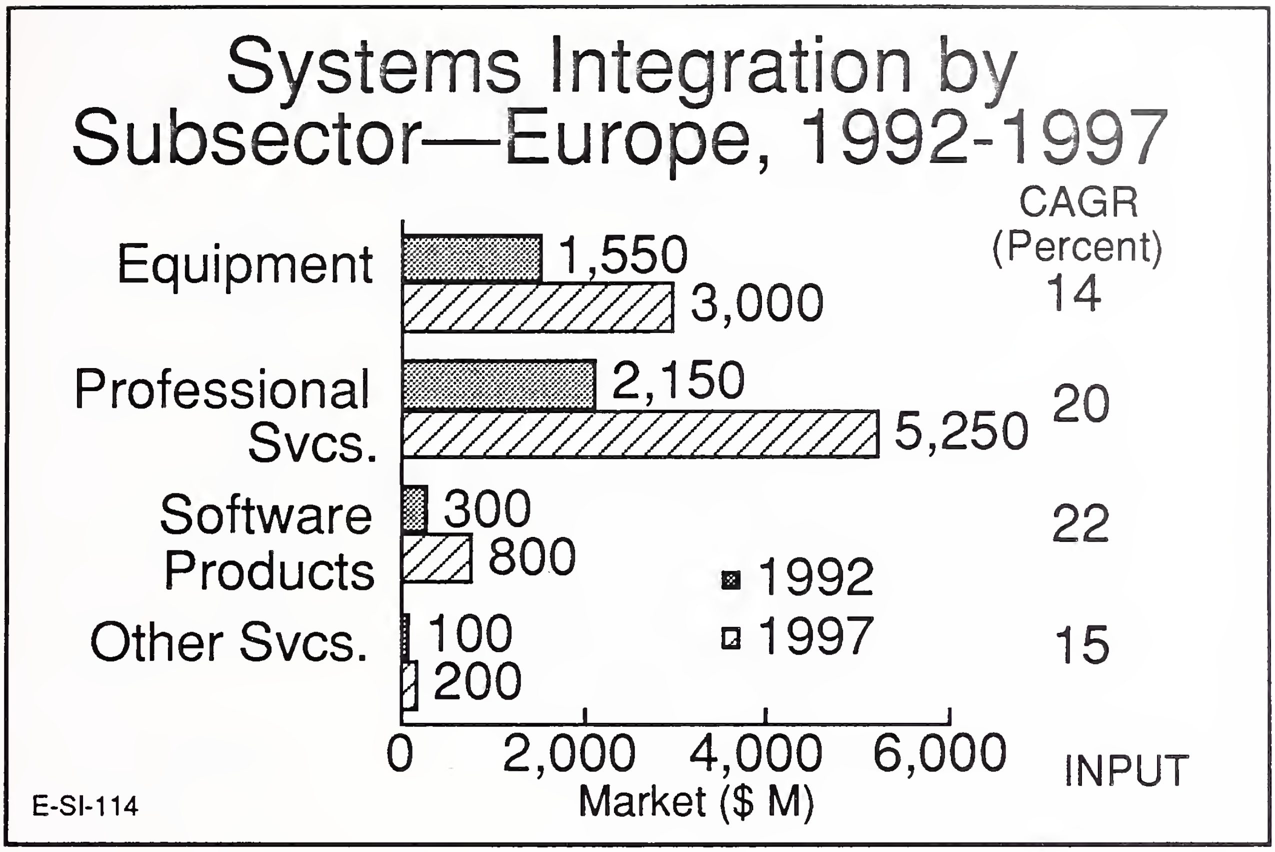
Notes



Notes

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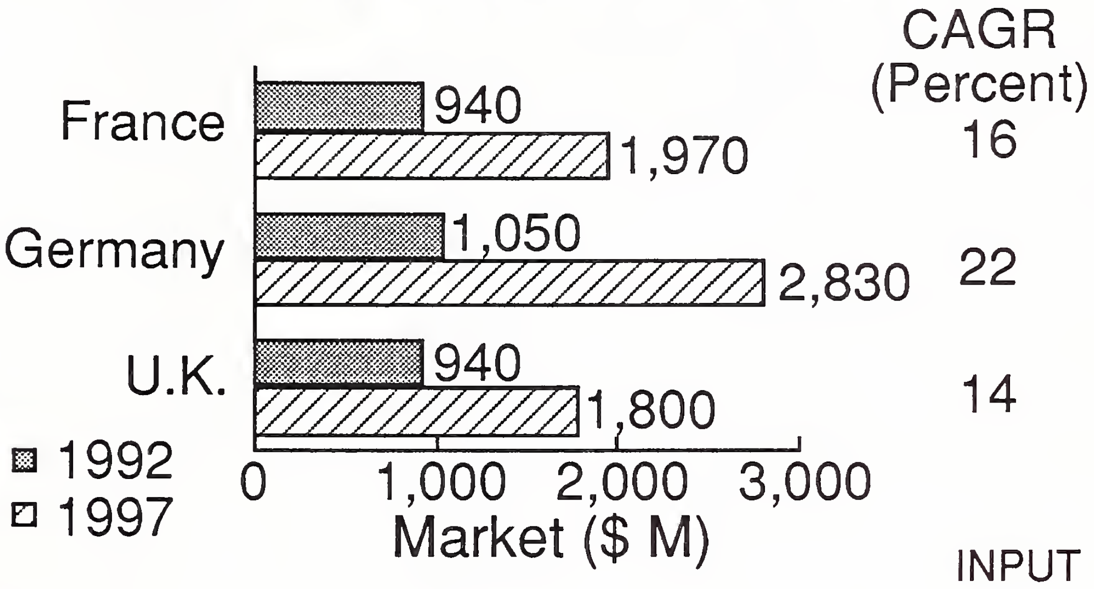
Systems Integration, Europe

Country Market Growth



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Notes

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Software and Services, Europe

Seeking Cost Reductions for IT

- Downsizing
- Outsourcing
- 80% solutions

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Notes

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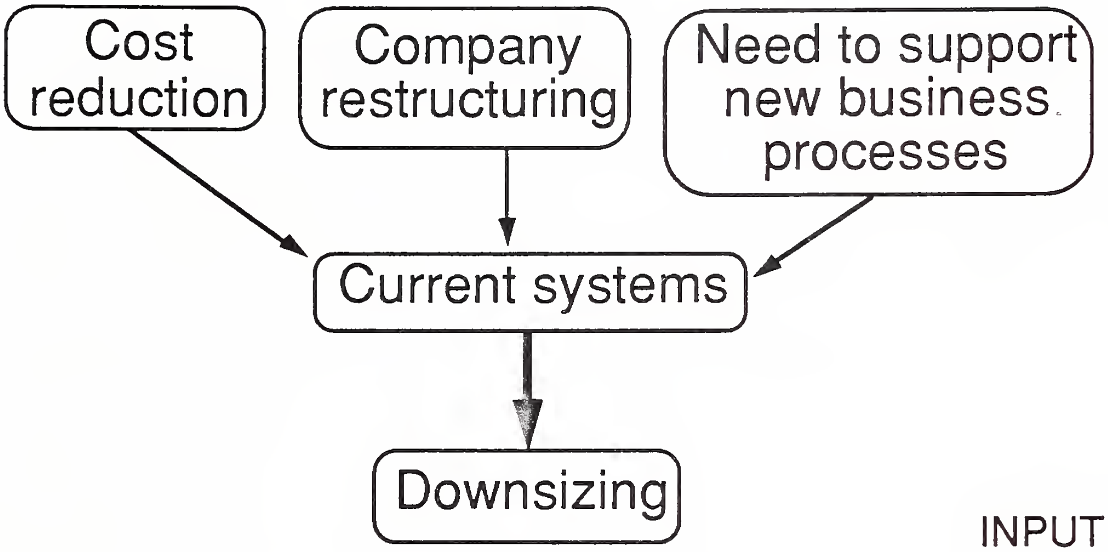
Driving Forces Downsizing, Europe



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Notes

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SI Projects by Equipment Type—Europe, 1991

Equipment Type	% of Contracts	Value ($ M)
Mainframe	28	1,000
Proprietary midrange	15	500
UNIX-based midrange	35	1,200
PC or PC/LAN	22	800
Total	100	3,500

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Notes

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Systems Integration, Europe

Major Purchasing Influence, 1991

Major Purchasing Influence	Share of Total Mkt. (%)	Value ($ M)
IS director or managers	40	1,400
CEO or end user management	60	2,100
Total	100	3,500

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Notes

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Who Drives Downsizing?

Personnel	Degree of Influence
CEO	Medium
Finance director	High
IT director/DPM	Low

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Case Study 1
Impact on IS Systems

- Phase 1—Replacement of commercial and financial systems
- Phase 2—Complete computer-integrated processing
- Current emphasis—Cost reduction and customer service

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Notes

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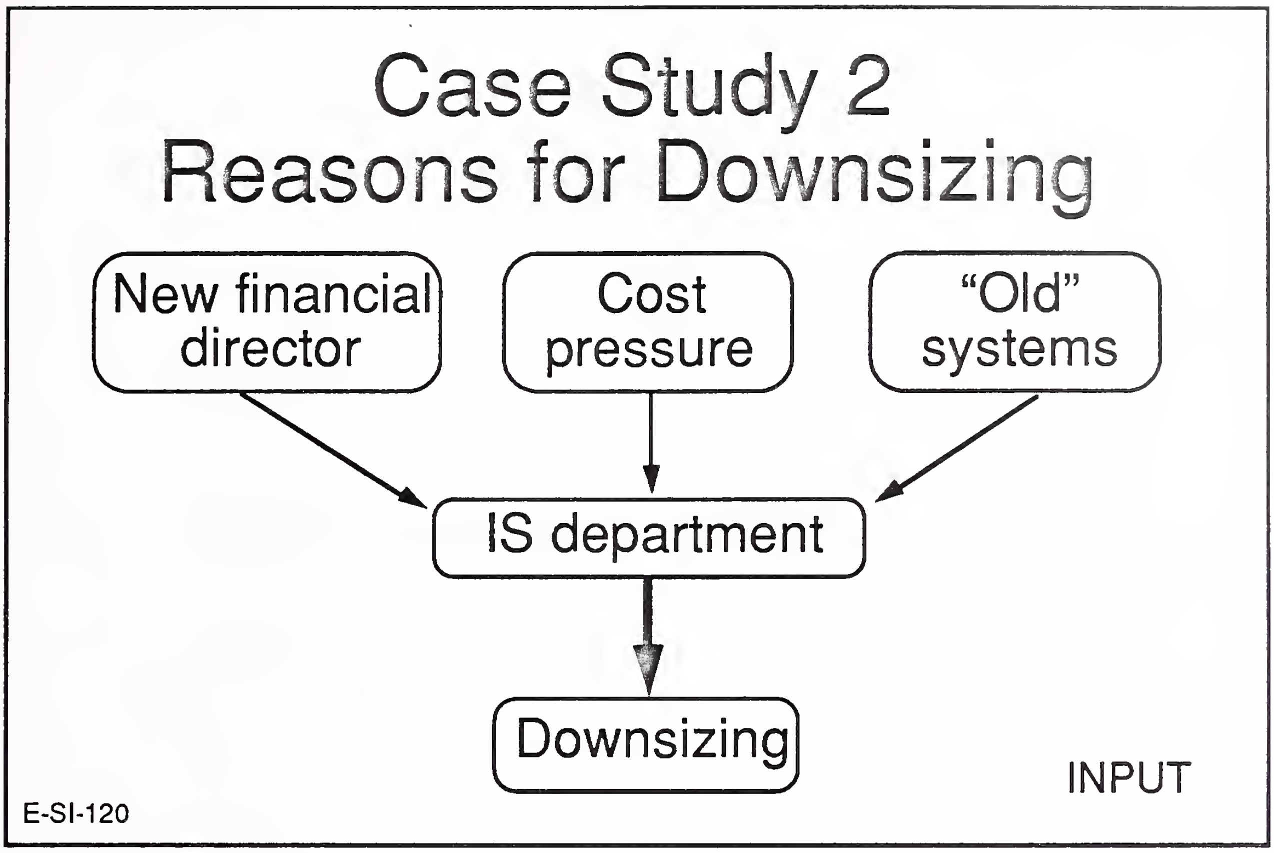

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Changing Role of IS Department/Downsizing, Europe

- Developing closer relationships with user departments
- Greater decentralization
- More emphasis on business/systems analysis
- Less emphasis on systems development

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Changing Role of End Users

- Acquiring control of IS strategy
- A major force in applications software product selection
- Taking over the IS budget

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Notes

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Mainframe Downsizing, Europe

Target Architectures

Architecture	Percentage	Trend
IBM AS/400	40	Decreasing
UNIX-based	35	Increasing
Other proprietary	25	Decreasing rapidly

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Notes

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Impact of Downsizing on IS Budgets

Service Component	Expenditure Trend
Equipment	Large decrease
In-house IS personnel	Large decrease
Consulting services	Increasing

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Notes

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Impact of Downsizing on IS Budgets

Service Component	Expenditure Trend
External custom SW development	Small increase
Application SW products	Large increase
Network integration	Increasing

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Notes

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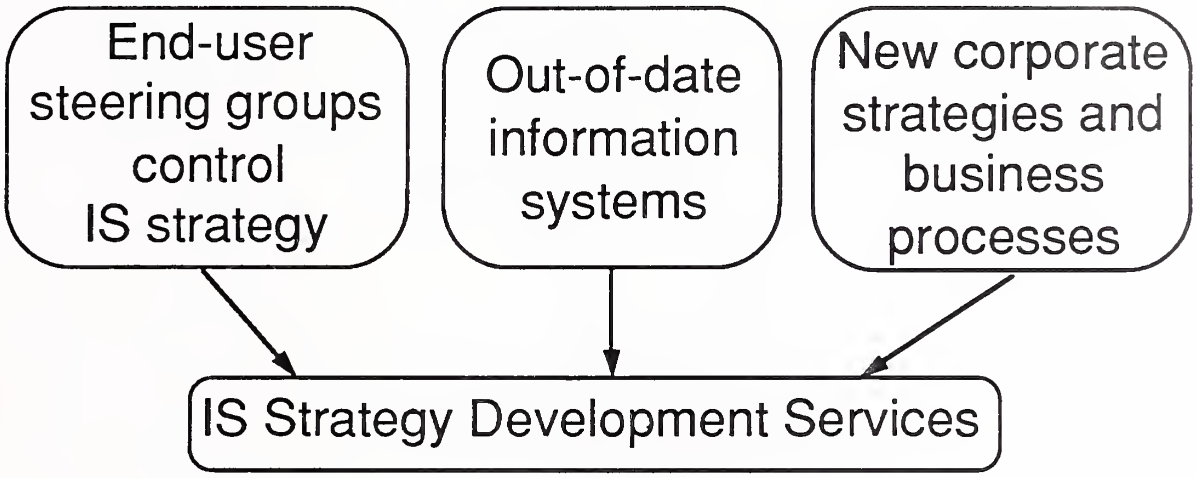
Driving Forces—IS Strategy Development Services



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Notes

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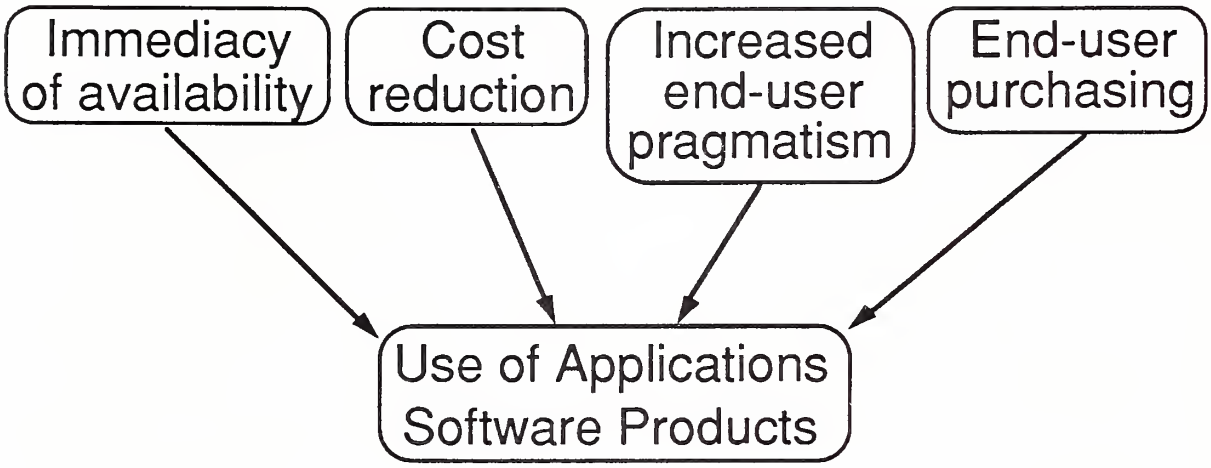
Driving Forces—Increased Use of Applications SW Products



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Notes

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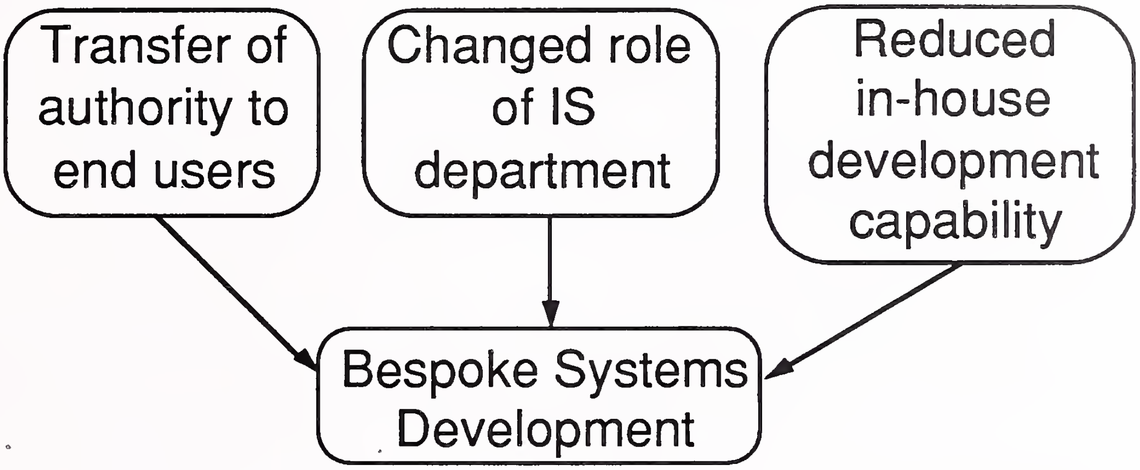
Driving Forces—Bespoke Systems Development



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Notes

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Systems Integration, Europe

Market Segmentation, 1991

Market Segment	Share of Total Mkt. (%)	Value ($ M)
Networking/infrastructure development	26	900
Application/business solutions	74	2,600
Total	100	3,500

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Notes

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Business Process Re-engineering Myth or Reality?

John Willmott
Consultant

What is Business Process Re-engineering?

A means of achieving radical improvements in business performance and competitiveness through a re-evaluation and redesign of core business processes.

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Notes

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Image of IS Department

"A group of expensive technical staff who do not relate well to the business needs of the organisation"

E-SI-126

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Notes

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Skills Required for Business Process Re-engineering

- Psychology of seeking continuous improvement and service
- Seeking of projects which lead to step change in organisation's effectiveness

Source: Andersen Consulting

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Notes

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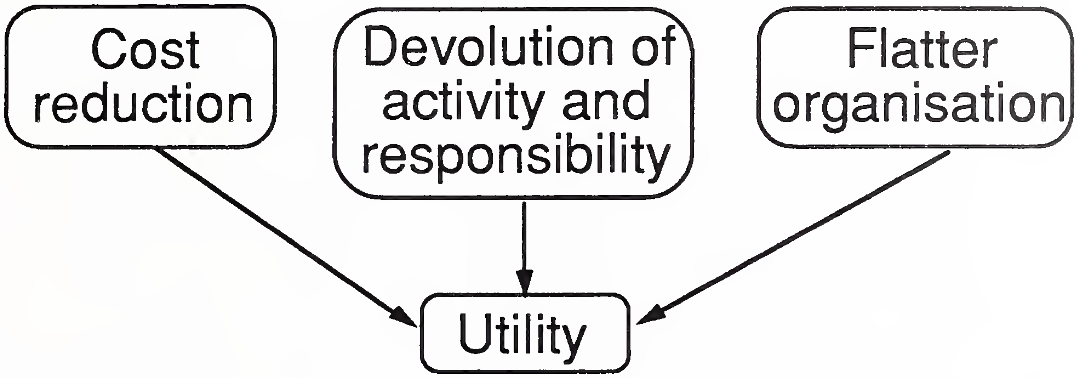
Case Study 1
Major Utility Driving Forces



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Notes

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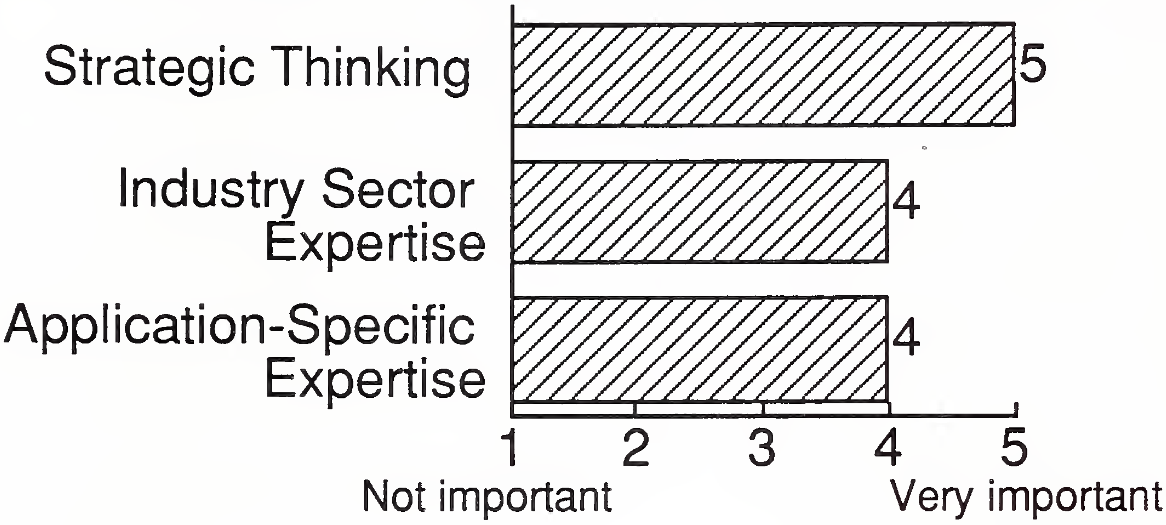
Case Study 1
Vendor Selection Criteria



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Notes

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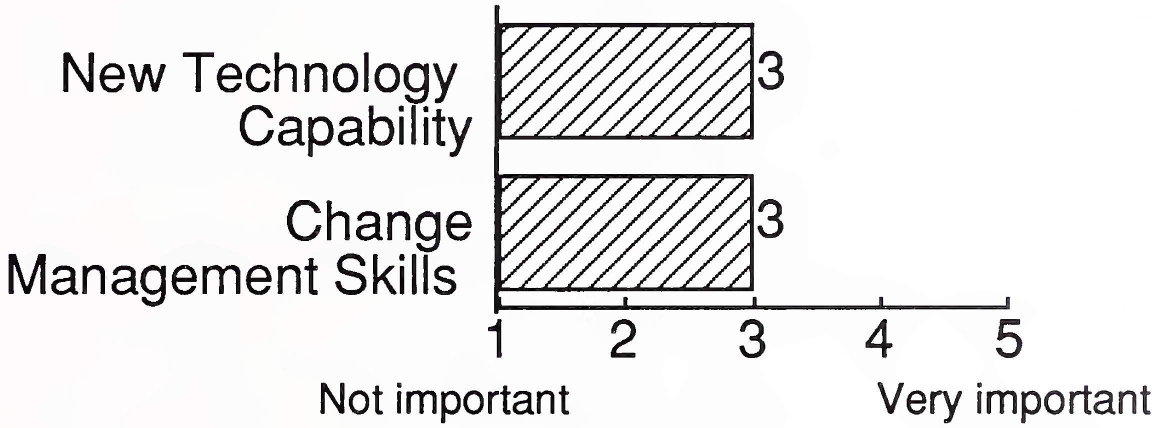
Case Study 1
Vendor Selection Criteria



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Notes

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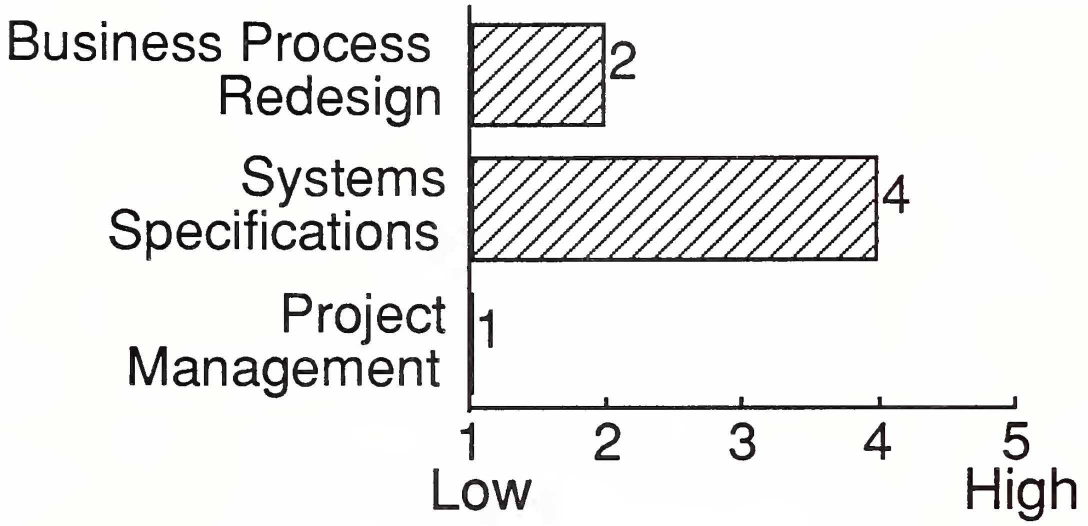
Case Study 1
Extent of Vendor Involvement



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Notes

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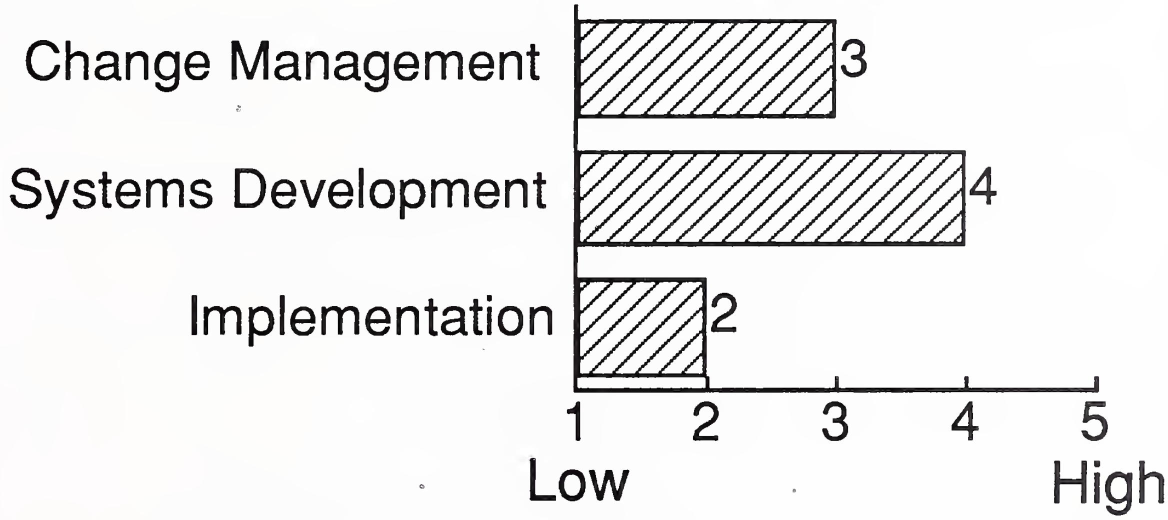
Case Study 1
Extent of Vendor Involvement



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Case Study 2—Reinshagen

- Benchmarking—to pinpoint areas for improvement
- Cross-functional impact analysis
- Activity-based costing to understand overheads

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Notes

EDS—Business Information Planning

Business direction

↓

Business initiatives

↓

Business process analysis

↓

IS assessment

↓

Business/technology integration

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Gemini Consulting

- Business transformation through multidisciplinary projects
- Targeting Fortune 100
- European business transformation revenues of $75 million

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Cap Gemini Sogeti

- Developing international account liaison
- Forging closer links with Gemini Consulting
- Board-level transnational approach

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Digital—Consulting Revenue Growth

Market Sector	Growth Expectations
IS consulting	Very High
Strategy consulting	Medium - High
Process re-engineering	Medium - High
HR consulting	Medium

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Notes

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Digital—Business Process Re-engineering Contracts

Client	Aim of Project
GEC Express Lifts	Significant competitive advantage over main competitor
Barnge Nationale de Paris	Customer service improvement and cost reductions

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Notes

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Coopers & Lybrand BreakPoint BPR

- Core process definition
- BreakPoint identification
- Process re-design
- Change management

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